Bank Negara issues draft on credit risk management

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KUALA LUMPUR: Bank Negara has released an exposure draft which sets out the proposed regulatory requirements on credit risk management for licensed persons, prescribed development financial institutions and financial holding companies.

In a notice on its website, Bank Negara said the proposals seek to ensure that Bank Negara's key expectations and requirements on credit risk management remained effective moving forward.

The central bank said the proposals aim to clarify and reinforce expectations and requirements on broader governance arrangements by the board and the financial institutions' risk management function, particularly within the context of credit decision-making.

They complement the requirements in risk governance, which set out the over-arching principles for sound risk management.

The central bank added that the need to manage "exceptional credits" and elevate credit loss estimation standards had also been given emphasis, amid an environment of heightened competition and uncertainty.

As financial institutions continue to expand domestically and abroad, the management of concentration risk, country and transfer risk, as well as group-wide credit risk oversight are also key areas of focus.

The central bank invites written feedback on the proposed regulatory requirements, including suggestions on areas to be clarified and alternative proposals.

It added that the written feedback should be supported with clear rationale, accompanying evidence or illustrations, as appropriate to facilitate an effective review of this exposure draft.